

# **“See Things the Way They Are” . . .**

## **What Drives Tax Professionals**

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## Corporate Focus is on Earnings ...

□ Growth = Net Income

□ Consistency = Operating Earnings

□ Quality = Cash

## State Taxes Fit . . .

**Growth**

**Net Income**

**All Taxes**

**Consistency**

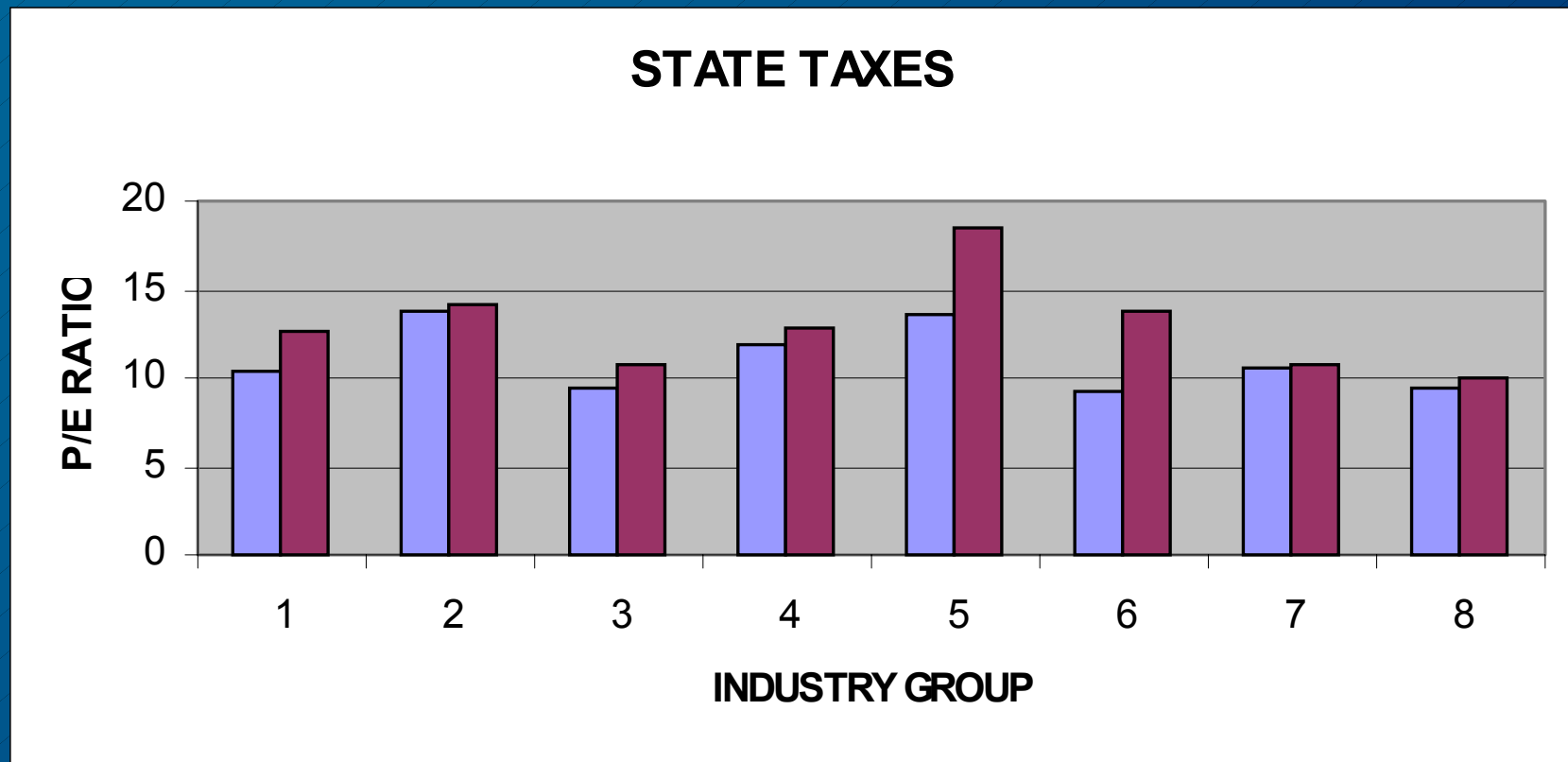
**Operating  
Earnings**

**Ad Valorem  
Net Worth  
Payroll  
Transaction**

**Quality**

**Cash**

# Taxes Translate to Value . . .



LEGEND: 1=Basic Industries; 2=Capital Goods; 3=Construction; 4=Consumer Goods; 5=Energy; 6=Finance; 7=Transportation; 8=Utilities

\*Lighter bars are firms with effective tax rates *above* the industry median rate; darker bars are firms with effective tax rates *below* the industry median rate

## Traditional Benchmarking (Internal Focus)

❑ Tax Department Size

❑ Tax Department Cost

❑ Cost/Objective Measure

- # Tax Returns Filed
- Tax Liabilities

## Modern Benchmarking (External Focus)

### ☐ Effective State Income Tax Rate

- $\text{Cash} = \text{Cash Tax} / \text{Book or Tax Income}$
- $\text{Book} = \text{Cash} + \text{Deferred} / \text{Book or Tax Income}$

### ☐ Relocation, Expansion Incentives

- \$ Per Employee – By Type
- % New Investment Funded

### ☐ Taxes/Employee

# Corporate Thoughts on Income Taxation . . .

- ❑ Mandatory Combination
- ❑ “Minimal Connection” X SSF = ???????
- ❑ Economic Development & Incentives
- ❑ Tax “Loopholes”
  - Expense Disallowance
  - Flow-through Entities

## Business Friendly Income Taxation Means . . .

- ☐ Support Reform Which Shifts OM Taxes Below the Line
  - Higher Income Tax Rates for Property or Net Worth Tax Reduction
- ☐ Fight for Apportionment Relief to:
  - Attract Business
  - Retain Business
  - Corporate Reorganizations
- ☐ Allow Credits To Be Applied to All Taxes, Shifted Among Entities
- ☐ Support Elective Consolidation



## Business Friendly Administration Means . . .

- ☐ Taxpayers Keep Contested Taxes
- ☐ Support Taxpayer “Bill of Rights”
- ☐ Independent Tax Tribunals
- ☐ Buy-in To “Digitization”
- ☐ Speed, Speed, Speed!

## Recap

- ❑ Most Valuable Companies In *Every* Industry Have ETRs Below the Mean
- ❑ Above-the-Line Taxes Are a Key Variable Cost
- ❑ Tax Policy is a Tremendous Driver of Shareholder Value
- ❑ We Need Your Help to Continue Digitization Gains